

ENC 2

EAST VALLEY WATER DISTRICT
SINGLE AUDIT REPORT ON FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

Revised SAR
8/21/09

EAST VALLEY WATER DISTRICT

SINGLE AUDIT REPORT

YEAR ENDED JUNE 30, 2008

Table of Contents

	<u>Page</u>
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	1 - 2
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance and on the Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133	3 - 5
Schedule of Expenditures of Federal Awards	6
Notes to Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs	8 - 10
Summary Schedule of Prior Audit Findings	11



ROGERS, ANDERSON, MALODY & SCOTT, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
East Valley Water District
3654 East Highland Avenue
San Bernardino, California 92346

JAY H. ZERCHER, C.P.A.
ROBERT B. MEMORY, C.P.A.
PHILLIP H. WALLER, C.P.A.
BRENDA L. ODLE, C.P.A.
TERRY P. SHEA, C.P.A.
KIRK A. FRANKS, C.P.A.
MATTHEW B. WILSON, C.P.A.
SCOTT W. MANNO, C.P.A.
LEENA SHANBHAG, C.P.A.

NANCY O'RAFFERTY, C.P.A.
BRADFORD A. WELEBIR, C.P.A.
JENNY LIU, C.P.A.
TIMOTHY P. HORN, C.P.A.
KATIE L. MILLSOM, C.P.A.
JOHN J. BADIA, C.P.A.
JONATHAN R. KUHN, C.P.A.
BRADFORD L. ROCKABRAND, C.P.A.
PAPA MATAR THIAW, C.P.A.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

We have audited the financial statements of East Valley Water District (the District), as of and for the year ended June 30, 2008, and have issued our report thereon dated December 8, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the State Controller's minimum audit requirements for California Special Districts and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered East Valley Water District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

MEMBERS

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

PCPS THE AICPA ALLIANCE FOR CPA FIRMS

CALIFORNIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Valley Water District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, the State Controller's Office and the District's Federal Awarding Agency and is not intended to be and should not be used by anyone other than these specified parties.

Rogers, Anderson, Malady & Scott, LLP

December 8, 2008



ROGERS, ANDERSON, MALODY & SCOTT, LLP

CERTIFIED PUBLIC ACCOUNTANTS

JAY H. ZERCHER, C.P.A.
ROBERT B. MEMORY, C.P.A.
PHILLIP H. WALLER, C.P.A.
BRENDA L. ODLE, C.P.A.
TERRY P. SHEA, C.P.A.
KIRK A. FRANKS, C.P.A.
MATTHEW B. WILSON, C.P.A.
SCOTT W. MANNO, C.P.A.
LEENA SHANBHAG, C.P.A.

NANCY O'RAFFERTY, C.P.A.
BRADFORD A. WELEBIR, C.P.A.
JENNY LIU, C.P.A.
TIMOTHY P. HORN, C.P.A.
KATIE L. MILLSOM, C.P.A.
JOHN J. BADIA, C.P.A.
JONATHAN R. KUHN, C.P.A.
BRADFORD L. ROCKABRAND, C.P.A.
PAPA MATAR THIAW, C.P.A.

Board of Directors
East Valley Water District
3654 East Highland Avenue
San Bernardino, California 92346

Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance and on the Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133

Compliance

We have audited the compliance of East Valley Water District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2008. East Valley Water District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of East Valley Water District's management. Our responsibility is to express an opinion on East Valley Water District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the State Controller's minimum audit requirement for California Special Districts; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about East Valley Water District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on East Valley Water District's compliance with those requirements.

In our opinion, East Valley Water District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

MEMBERS

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

PCPS THE AICPA ALLIANCE FOR CPA FIRMS

CALIFORNIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

VANIR TOWER • 290 NORTH "D" STREET • SUITE 300
SAN BERNARDINO, CA 92401
(909) 889-0871 • (909) 824-6736 • FAX (909) 889-5361
Website: www.ramscpa.net

Internal Control Over Compliance

The management of East Valley Water District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered East Valley Water District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of East Valley Water District as of and for the year ended June 30, 2008, and have issued our report thereon dated December 8, 2008. Our audit was performed for the purpose of forming an opinion on the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, the State Controller's Office and the District's Federal awarding agency and is not intended to be and should not be used by anyone other than these specified parties.

Rogers, Anderson, Malady & Scott, LLP

December 8, 2008

EAST VALLEY WATER DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

<u>Federal Grantor/Pass-through Grantor</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Grant I.D. #</u>	<u>Federal Expenditures</u>
US Department of Homeland Security				
Pass-through from the State of California -				
Office of Emergency Services				
 Hazard Mitigation Grant Program				
(HMGP)	97.039	1498-32-30	FEMA -1498-DR-CA	\$ 1,826,543

EAST VALLEY WATER DISTRICT

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2008

Note 1: Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards

(a) *Scope of Presentation*

The accompanying schedule presents only the expenditures incurred by the East Valley Water District that are reimbursable under federal programs of federal awards. For the purposes of this schedule, federal awards include both federal awards received directly from a federal agency, as well as federal funds received indirectly by the District from a non-federal agency or other organization. Only the portion of program expenditures reimbursable with such federal funds are reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

(b) *Basis of Accounting*

The expenditures included in the accompanying schedule were reported on the accrual basis of accounting. Under the accrual basis of accounting, expenditures are incurred when the District becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported include any property or equipment acquisitions incurred under the federal program.

EAST VALLEY WATER DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2008

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued: **Unqualified**

Internal control over financial reporting:

- Material weakness identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted?

_____ yes X no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

Type of auditor's report issued on compliance for major programs: **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

 X yes _____ no

EAST VALLEY WATER DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2008

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS
AUDIT (continued)

Criteria: OMB Circular A-102 states that "subgrantees (including contractors) at any tier do not make awards in violation of the nonprocurement debarment and suspension common rule."

Effect: The lack of procedures to verify that the contractors have not been debarred or suspended has had no effect since the contractors used are not on the federal list of excluded parties. (EPLS - Excluded Parties List System)

Cause: The East Valley Water District has no procedure established to verify that contractors have not been placed on the Excluded Parties List System (EPLS).

Population and Items Tested: As of the end of the current fiscal year June 30, 2008, there have been two contracts awarded for construction. Both contracts were reviewed for a clause relating to debarment and suspension. Neither contract contained such a clause. Additionally, no certification was made by the contractor regarding debarment and suspension.

Inquiries were made to see if the District or their consulting outside engineer researched the federal EPLS. Apparently, no one looked on the EPLS.

The two construction contracts are for \$1,939,911 and \$348,369 for a combined total of \$2,288,280. None of the costs related to the contracts are in question.

Auditor's Recommendation: We recommend that the District establish a procedure to search the federal government's Excluded Parties List System for any potential contractor prior to the awarding of the contract when federal monies are involved.

Grantee Response: The District plans to adopt our recommendation.

EAST VALLEY WATER DISTRICT

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2008

CURRENT STATUS OF PRIOR YEAR FINDINGS:

There were no prior year findings.